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August 4, 2000

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AUG 4 2000

BY MESSENGER

Magalie Roman Salas, Esq.

Secretary

Federal Communications Commission

445 12th Street, SW

Washington, DC 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: *CC 97-21 Changes to the Board of Directors of NECA*  
*CC 96-45 Federal-State Joint Board on Universal Service*

Dear Ms. Salas:

Enclosed please find corrected copies of the comments of Verizon Communications filed yesterday in the above-captioned proceedings. Through an oversight, the appended list of Verizon telephone companies was omitted from the electronic version of the comments filed using ECFS [confirmation nos. 200083482399 and 200083911186]. Please substitute these corrected copies for the ones filed yesterday. We apologize for any inconvenience caused by this incident.

Thank you for your attention to this matter. If you should have any questions please do not hesitate to call me at (703) 974-7699.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jennifer L. Hoh".

Jennifer L. Hoh

Enclosures

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Before the  
**Federal Communications Commission**  
Washington, D.C. 20554

AUG 4 2000

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Changes to the Board of Directors of the	)	CC Docket No. 97-21
National Exchange Carrier Association, Inc.	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

**COMMENTS OF VERIZON<sup>1</sup> ON PETITIONS FOR RECONSIDERATION**

The three petitioners properly show why the Commission should reconsider requiring service providers to repay the Administrator in the case of improper reimbursement to schools and libraries under the Universal service program.<sup>2</sup> They demonstrate that the carriers act only as conduits to receive funds from the Universal Service Administrative Company ("USAC") and disburse those funds to the designated schools and libraries and cannot in any way benefit from the improper payments. They neither retain the payments themselves nor have discretion as to whether they reimburse the schools and libraries which USAC designates. By placing the risk of loss on service providers, the current system gives those providers a disincentive to encourage participation in the schools and libraries program. This is precisely the wrong policy result. Accordingly, the Commission should reconsider its decision and instruct the Administrator to

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<sup>1</sup> The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Bell Atlantic Corporation (including the telephone companies formerly affiliated with GTE Corp.), d/b/a Verizon Communications. A list of these companies is attached.

<sup>2</sup> Petitions for Reconsideration filed November 8, 1999 by Sprint, MCI WorldCom, and the United States Telecom Association ("USTA").

obtain repayment from the schools and libraries that improperly received the funds, rather than the service providers, which did not. *See Order*, FCC 99-291, ¶ 8 (rel. Oct. 8, 1999).

The three petitioners point out that the Commission is under a misunderstanding as to the role of service providers in the universal service process. Service providers have no role in determining the eligibility of a school or library and the level of discount. That decision is made entirely by USAC. Once the school or library receives USAC certification, it orders services from one or more service providers. Those providers either bill for the services at the discounted rate, receiving the remainder of the established charge from USAC, or bill at the full rate then pass through the reimbursement from USAC to the school or library as a payment or credit.<sup>3</sup> In no case does the service provider receive any more than the established rate for the service. It only serves as a conduit for the funds based on a prior commitment by USAC that the school or library is eligible for the discount.

It would be grossly unfair to now require the service providers to repay amounts which USAC improperly remitted. Such repayment would force the providers to provide service at a discount – sometimes a very substantial one – and then undertake the expense to attempt recover the funds from the school or library that USAC certified but where that certification was later found to violate federal law. The service provider is not at fault in this process – it simply accepts, as it must, USAC’s determination that the school or library is eligible for a certain discount, then fills out a form and passes through the payment. Obtaining repayment from the

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<sup>3</sup> The service provider is prohibited from depositing any USAC check until it has remitted a payment check or credited the school’s or library’s account. Therefore, it cannot be unjustly enriched.

school or library when certification was improper should be the responsibility of the administrator, USAC, that awarded that certification.

If service providers were liable for possible repayment in the event of improper USAC certification, they would have a disincentive to work closely with the schools and libraries to provide the telecommunications services those institutions need, because they could find themselves liable for repayment of up to 90% of the price of the service. This is particularly the case for low-income school districts, because the potential for repayment is higher than for wealthier districts and the chance of obtaining reimbursement arguably lower. However, these are the districts with the greatest need for upgraded telecommunications services and the least ability to pay for them. The requirement for service provider repayment, therefore, could undermine the purposes of this valuable program.

Accordingly, for the reasons cited in the reconsideration petitions, as well as those Verizon has shown above, the Commission should reconsider the Order and instruct USAC to seek repayment of improperly paid reimbursements from the schools and libraries, rather than from service providers.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Lawrence W. Katz", written over a horizontal line.

Lawrence W. Katz

Michael E. Glover  
Edward Shakin  
  
Of Counsel

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(703) 974-4862

Attorney for the Verizon  
telephone companies

August 3, 2000

## THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the affiliated local telephone companies of Bell Atlantic Corporation (d/b/a Verizon Communications), including the telephone companies formerly affiliated with GTE Corporation. These are:

Contel of Minnesota, Inc. d/b/a Verizon Minnesota  
Contel of the South, Inc. d/b/a Verizon South Systems  
GTE Alaska Incorporated d/b/a Verizon Alaska  
GTE Arkansas Incorporated d/b/a Verizon Arkansas  
GTE Midwest Incorporated d/b/a Verizon Midwest  
GTE Southwest Incorporated d/b/a Verizon Southwest  
The Micronesian Telecommunications Corporation  
Verizon California Inc.  
Verizon Delaware Inc.  
Verizon Florida Inc.  
Verizon Hawaii Inc.  
Verizon Maryland Inc.  
Verizon New England Inc.  
Verizon New Jersey Inc.  
Verizon New York Inc.  
Verizon North Inc.  
Verizon Northwest Inc.  
Verizon Pennsylvania Inc.  
Verizon South Inc.  
Verizon Virginia Inc.  
Verizon Washington, DC Inc.  
Verizon West Coast Inc.  
Verizon West Virginia Inc.